HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

St. John's CMA

Canada Mortgage and Housing Corporation

Date Released: Spring 2008

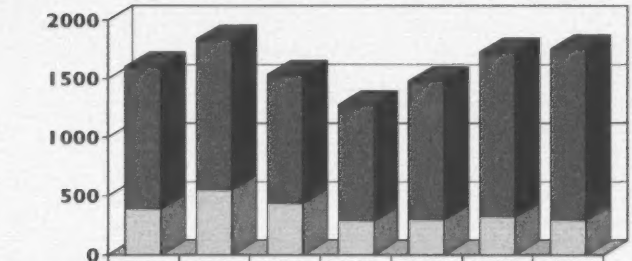
Sustained Demand for Housing

Economic growth, positive net-migration and stable consumer confidence will sustain the demand for housing within the St. John's region both this year and next. As a result, housing markets will fare well throughout the remainder of 2008 and into 2009. The renovation sector will build on its recent strength, exceeding $800 million annually over the forecast period. With homeownership costs now at an all-time high, some prospective buyers remain sensitive to prices when considering the purchase of a home. However, growth in personal incomes will continue to reinforce consumer confidence, adding additional support to the overall level of demand for both existing and new homes.

Figure 1

Robust Housing Starts Activity

Housing Starts- St. John's Region



	2003	2004	2005	2006	2007	2008(f)	2009(f)
Singles	1,213	1,275	1,096	985	1,174	1,400	1,450
Multiples	391	559	438	290	306	325	300

Source: CMHC, Forecast 2008, 2009

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Resale Market

Strength in MLS® Market

Having posted record sales for eight years in a row, the local resale market is expected to continue this trend, eclipsing the 4,000 unit mark this year and next. Accordingly, our forecast calls for MLS® sales of 4,250 units in 2008, with 4,200 sales expected in 2009. With most new home sales now going through the MLS® system, continued growth in residential construction activity will have a positive impact on total MLS® sales over the forecast period. Unprecedented market activity has sliced active listings in half in recent months and with demand remaining high over the forecast period, unit sales growth will be somewhat restrained. Tighter market conditions such as high demand and low inventory levels, has proved challenging for buyers and these market dynamics have translated into multiple offers and offers above list price on choice properties. With lower inventory available within the local resale market, buyers are finding it increasingly difficult to find suitable homes that meet their needs in terms of both price and amenities This has resulted in many seasoned and move-up buyers to look for a newly built home instead. However, the growing new versus existing house price premium is causing an increased number of first-time buyers to choose an existing home over a new home, adding additional pressure to the resale market.

Resale Market Classified as Sellers

After a three year run as a sellers market, the resale market became balanced in 2005. The market remained there for less than a year, as strong sales activity was offset by a sudden surge in active listings. In fact, 2006's surge in active listings drove the number of listings to their highest level since 1999 and the St. John's resale market became classified as buyers through to mid 2007. Recent trends, combined with current market dynamics, suggest the market is once again shifted to being a sellers market. With a lack of active listings, prospective homebuyers continue to struggle with fewer homes available to choose from compared to years past. The average time on market has trended much lower and double-digit price growth is now the norm after very little growth since 2005. With buyers now willing to pay a premium for preferred listings and sellers demanding top dollar, realtors are finding it much easier to close sales transactions on residential properties. Our current forecast is for active listings to remain low, as some sellers capitalize on recent price appreciation, while others downsize from their family homes, making way for new young families. The increasingly active and affluent move-up buyer segment will continue to absorb many of these family homes. As a result, the local resale market is expected to remain classified as sellers through to the end of 2008.

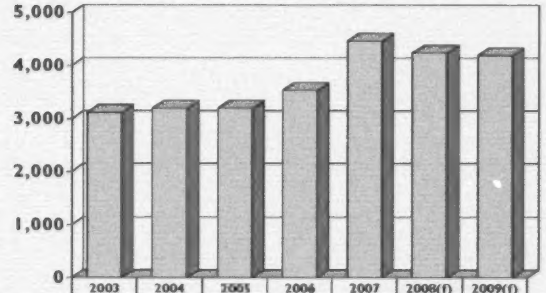
Price Growth Expected

With the market entrenched in sellers conditions, expect to see notable price growth this year and next. Our average MLS® house price is forecast to end this year at $165,000, an increase of 10.5 per cent, followed by a further 6.1 per cent gain in 2009 to $175,000. Both forecasts are currently above the national average. The active move-up buyer segment will result in two-storey homes experiencing the highest price growth over the forecast period. The current high cost of homeownership vis-à-vis mortgage carrying costs and surging energy costs, will continue to have a negative impact on two-storey demand from the first-time buyer segment. As such demand for bungalows with or without basement apartments should remain a solid alternative for this segment of the market.

Figure 2

Strength in MLS® Market

MLS® Sales - St. John's Region



	2003	2004	2005	2006	2007	2008(f)	2009(f)
MLS® Sales	3,119	3,203	3,196	3,537	4,471	4,250	4,200

Source: CREA, CMHC forecast

MLS® is a registered trademark of the Canadian Real Estate Association (CREA)

New Home Market

Robust Housing Starts Activity

A positive provincial net-migration picture, combined with workers commuting to and from Alberta, will increase provincial housing demand this year and only retreat slightly next year. Consequently, total provincial housing starts will edge up to 2,825 units in 2008, with 2,850 forecast for 2009. Conditions within the St. John's metro area will also remain favourable. The overall level of residential construction activity will increase due to solid economic growth and demographic trends, as well as an expectation of continued positive net-migration within the region as a result of recent energy project announcements. The expected boost in overall home buying activity will sustain residential construction growth within the metro region over the forecast period. However, additional price growth, combined with higher construction costs, will produce further increases in monthly homeownership costs and prevent some buyers from entering the new home market. On the flip side, with lower inventory available within the local resale market, some buyers continue to have greater difficultly finding a home that meets their needs and end up buying a newly built home instead. As housing demand intensifies, so will issues such as these. Accordingly, total housing starts are forecast at 1,725 units within the St. John's region in 2008 and 1,750 in 2009, increases of 16.6 per cent and 1.4 per cent, respectively.

Flat Multiple Starts Activity

Multiple unit construction is expected to remain flat over the forecast period, offset slightly by higher numbers of condominiums and an increase in affordable housing projects. Continued in-migration, due to increased economic activity and employment, and demographic trends such as smaller households and an aging population, will support the growing condo market in St. John's in 2008 and 2009. With a recent peak in supply and higher disposable incomes, demand for new semi-detached homes is expected to remain fairly low, as buyers opt for single-detached dwellings. That being said, new lower-priced semi-detached units will always remain attractive to a certain segment of buyers, provided that overall house prices continue to grow. In view of this, our multiple housing starts forecast calls for 325 units in 2008 and 300 in 2009.

Rental Market

Vacancy Rate Remains Low

Several factors will keep the vacancy rate relatively low throughout 2008 and 2009. The movement of renter households to home ownership will continue to slow, as home ownership costs rise. Also, rental affordability has improved and will continue to improve, as growth in renter household incomes outpaces rent increases. However, net-migration losses from the 18 to 24 year-old segment of the population will persist and once again have a negative impact on the vacancy rate, as close to 80 per cent of this age group tend to be renter households. Investment in affordable rental housing will increase the supply slightly this year and next. Accordingly, the vacancy rate for structures containing three or more units is forecast at 2.5 per cent in 2008 and 2.0 per cent in 2009. Although the vacancy rate will hold relatively steady, expect monthly rents to increase by 5.9 and 3.8 per cent this year and next, respectively, as landlords attempt to recover recent costs associated with renovations to the rental stock and lower vacancies exert upward pressure on rents.

Mortgage Rates

Mortgage Rates will Remain Low

With U.S. recessionary pressures continuing, as expected, the Bank of Canada cut rates 50 basis points on April 22nd. Since the onset of the financial crisis in August 2007, the spreads between mortgage rates and the Government bond yield have widened, reflecting the rising cost of funds to financial institutions. As a result, while Government of Canada bond yields have moved lower since August, mortgage rates have stayed up. Accordingly, mortgage interest rates are expected to remain low in 2008 and start to creep higher in 2009 as investors gain more confidence in financial markets. One and five-year mortgage rates are forecast to be in the 6.75-7.25 and 7.00-7.50 per cent range, respectively, in 2008 and 2009.

Forecast Summary
St. John's CMA
Spring 2008

	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	3,211	3,537	4,471	4,250	-4.9	4,200	-1.2
MLS® Active Listings	6,793	7,292	7,416	7,000	-5.6	6,850	-2.1
MLS® Average Price ($)	141,167	139,542	149,258	165,000	10.5	175,000	6.1
New Home Market							
Starts:							
Single-Detached	1,096	985	1,174	1,400	19.3	1,450	3.6
Multiples	438	290	306	325	6.2	300	-7.7
Starts - Total	1,534	1,275	1,480	1,725	16.6	1,750	1.4
Average Price ($):							
Single-Detached	196,437	202,698	211,123	226,600	7.3	242,500	7.0
Median Price ($):							
Single-Detached	170,000	175,812	189,900	203,750	7.3	218,000	7.0
New Housing Price Index (% chg.)	5.6	3.7	5.0	7.5	n/a	5.0	n/a
Rental Market							
October Vacancy Rate (%)	4.5	5.1	2.6	2.5	-0.1	2.0	-0.5
Two-bedroom Average Rent (October) ($)	634	635	614	650	-	675	-
Economic Overview							
Mortgage Rate (1 year) (%)	5.80	6.30	7.35	6.95	-0.40	6.83	-0.12
Mortgage Rate (5 year) (%)	6.30	6.45	7.54	7.01	-0.53	6.97	-0.04
Annual Employment Level	90,300	93,400	94,500	97,600	3.3	99,700	2.2
Employment Growth (%)	0.9	3.4	1.2	3.3	n/a	2.2	n/a
Unemployment rate (%)	8.9	8.1	6.9	6.8	n/a	6.7	n/a
Net Migration [1]	779	1,051	1,500	1,750	16.7	2,000	14.3

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over
(1) 2007 migration data is forecasted

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